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Analysis

Think Nothing of It!

Hill Probers Look at an Arlington Defense Firm That Does Very Nicely

By JULIAN MORRISON
Congressional investigators say a Defense Department "think factory" in Arlington — the non-profit firm called Institute for Defense Analyses — has been spending the taxpayers' money for such things as paying the interest on a \$45,000 personal bank loan to one of its vice presidents and picking up its president's \$300-a-month bill at the exclusive Metropolitan Club here.

And that other "expenses" paid out of Government funds by IDA include:

- \$6000 to transport the families of 13 IDA staff members to England where the employees attended a summer study conference.

- \$1300 for transportation expenses, living costs and rental cars for the wife of an employee who went to Los Angeles, with their child, to sell their former home. IDA also paid the taxes on this employee's income while he was renting a home here.

These and other revelations on the inside financial dealings at IDA are contained in a still-unreleased study by the staff of a House Defense Appropriations sub-committee headed by Rep. George H. Mahon (D., Tex.).

WHERE

The information, obtained from Defense files and from IDA itself, was used by Rep. Mahon when questioning the Defense Research and Engineering Director about IDA's operations.

The study shows that, in addition to paying the interest on the vice president's personal loan, IDA paid \$22,381 for the maintenance of his residence in New York State from 1963 to 1965. This included real estate taxes, caretaker fees, gas, and electric bills, and the mortgage.

His salary at this time was \$42,900. He also had a \$5000-a-year expense account for which

he did not have to give an accounting.

IDA was created in 1956 as a high-level advisory organization to the Defense Department — a university-oriented think factory to evaluate the work done by similar groups formed by the three Armed Services.

Defense negotiates annual contracts with the company — worth \$12.4 million this year — and pays it a "fee" of 5 per cent which, because IDA is tax exempt, is even better than it looks.

But for the first eight years of its life, during which the Government poured tens of millions into its coffers for research, the Defense Department's contracting officer, J. Robert Loftis, apparently left no records of the negotiations.

NO RECORD

At least, Rep. Mahon said, "the documentation of contract negotiations procedures, which are required by the Armed Services Procurement Regulations, do not exist" today.

Mr. Loftis was acquitted of embezzlement charges by a Federal District Court jury in Alexandria last year. He had been Defense Secretary Robert S. McNamara's administrative assistant and was allowed to resign before his indictment.

During his trial, his lawyer described him as a "poor record keeper."

Another point which puzzled investigators is the fact that, altho IDA exists only on a yearly basis to serve only the Defense Department — which can cancel its contract at any time — it has signed a 10-year lease for the building it occupies at 400 Army-Navy Drive.

It is currently paying \$991,000 a year for the space — which would amount to nearly \$10 million over the term of the lease. Arlington County has appraised the value of the

building for tax purposes at \$7,342,780.

When IDA moved into its new quarters, it still had over two years left on a lease at 1666 Connecticut-av nw and is paying \$3854 a month for hallway space and unrented rooms there, the sub-committee report said, and when IDA MOVED TO Arlington, it spent \$520,000 to rent furniture it could have bought for \$425,000.

Rep. Mahon pointed out that "this saves IDA the cost of borrowing money for the purpose of purchasing furniture, the interest charges on which would not be recoverable from the Government but would have to be paid from management fees."

NO APPROVED

IDA not only didn't ask Defense Department approval before it signed its 10-year lease, the sub-committee said, it has bought data processing equipment without telling the Government and spent \$860,000 on contracts for independent research without asking permission, the study shows.

Other expenses the study found questionable were for employee education and education payments that were even made to persons who weren't employees.

One IDA employee who spent a year studying in England was paid his regular salary of \$24,120 plus travel expenses for himself, his wife and two children, schooling for his children in England, the return shipment of his car, storage of his household goods and reimbursement for the loss of rental income of his house in the United States during his absence, the sub-committee said.

Another man — a young post-doctorate student favored by IDA even tho he was not an employee — was paid \$25,200 to study for 21 months at the Air

Defense Technical Center at The Hague in the Netherlands.

When he came home, he turned down an IDA job offer.

The sub-committee report said average IDA salaries exceed those paid other professional scientific personnel doing similar work by as much as 78.5 per cent.

WAGE SCALE

A salary breakdown for the 593 persons on IDA's payroll as of January, 1965, shows that two officials made between \$40,000 and \$45,000, 12 made between \$30,000 and \$40,000, 30 were paid between \$25,000 and \$30,000 and 69 were paid between \$20,000 and \$25,000.

There were 256 research workers and 60 "executives" on the payroll at that time, or one administrator for every 4.2 researchers.

The organization announced yesterday that retired Army General Maxcell D. Taylor will take over as president in September. (See editorial on page 34)